



General Assembly

January Session, 2007

Amendment

LCO No. 6956

HB0703206956HR0

Offered by:

REP. HAMZY, 78th Dist.

REP. STRIPP, 135th Dist.

REP. WILLIAMS, 68th Dist.

REP. KLARIDES, 114th Dist.

To: Subst. House Bill No. 7032

File No. 330

Cal. No. 283

"AN ACT CONCERNING THE RETENTION OF STATE JOBS."

1 After the last section, add the following and renumber sections and
2 internal references accordingly:

3 "Sec. 501. (NEW) (*Effective July 1, 2007, and applicable to income years*
4 *commencing on or after January 1, 2007*) (a) As used in this section:

5 (1) "Angel investor" or "investor" means an accredited investor, as
6 defined by the Securities and Exchange Commission, who may seek
7 active involvement in the business, such as consulting and mentoring,
8 but "angel investor" or "investor" does not include (A) persons
9 controlling fifty per cent or more of the Connecticut business invested
10 in, (B) a Connecticut venture capital company, or (C) any bank, bank
11 and trust company, insurance company, trust company, national bank,
12 savings association or building and loan association for activities that
13 are a part of its normal course of business;

14 (2) "Cash investment" means money or money equivalent in
15 consideration for qualified securities;

16 (3) "Connecticut business" means any business owned by an
17 individual or a partnership, association or corporation, and domiciled
18 in Connecticut, or any corporation, even if a wholly-owned subsidiary
19 of a foreign corporation, that does business primarily in Connecticut,
20 or does substantially all of such business's production in Connecticut;

21 (4) "Qualified securities" means (A) any form of equity, including a
22 general or limited partnership interest, common stock, preferred stock,
23 with or without voting rights, without regard to seniority position and
24 whether or not convertible into common stock, any form of
25 subordinate or convertible debt, or both, with warrants or other means
26 of equity conversion attached; or (B) a debt instrument, including a
27 note or debenture that is secured or unsecured, subordinated to the
28 general creditors of the debtor and requiring no payments of principal,
29 other than principal payments required to be made out of any future
30 profits of the debtor, for at least a seven-year period after
31 commencement of such debt instrument's term.

32 (b) There shall be allowed a credit against the tax imposed under
33 chapter 229 of the general statutes for a cash investment in the
34 qualified securities of a Connecticut business by an angel investor. The
35 credit shall be in an amount equal to twenty-five per cent of such
36 investor's cash investment, provided no credit shall be greater than one
37 hundred twenty-five thousand dollars. The credit shall be taken in the
38 year in which such cash investment is made by the angel investor.

39 (c) To be an eligible cash investment qualifying for a tax credit
40 pursuant to this section, such investment shall be in a business that (1)
41 has been approved as a qualified Connecticut business pursuant to
42 subsection (d) of this section, (2) has had annual gross revenues of less
43 than five million dollars in the most recent income year of the business,
44 (3) has fewer than one hundred employees, more than half of whom
45 reside in this state, (4) have been operating in this state for less than ten

46 consecutive years, (5) is primarily owned by the management of the
47 business and their families, and (6) received less than one million
48 dollars in the tax credits provided by this section. No investor may
49 claim a credit pursuant to this section for cash investments in
50 Connecticut Innovations, Inc.

51 (d) (1) A Connecticut business may apply to the Commissioner of
52 Economic and Community Development for approval as a Connecticut
53 business qualified to receive cash investments eligible for tax credits
54 pursuant to this section. The application shall include (A) the name of
55 the business and a copy of the organizational documents of such
56 business; (B) a business plan, including a description of the business
57 and the management, product, market and financial plan of the
58 business; (C) a statement of the business innovative and proprietary
59 technology, product or service; (D) a statement of the potential
60 economic impact of the enterprise, including the number, location and
61 types of jobs expected to be created; (E) a description of the qualified
62 securities to be issued, the consideration to be paid for the qualified
63 securities, the amount of any tax credits requested and the earliest year
64 in which such tax credits may be redeemed; (F) a statement of the
65 amount, timing and projected use of the proceeds to be raised from the
66 proposed sale of qualified securities; and (G) such other information as
67 said commissioner may require.

68 (2) The Commissioner of Economic and Community Development
69 shall, on or before January first of each year, compile a list, categorized
70 by estimated amount of tax credit and type of qualified securities
71 offered, submitted by qualified Connecticut businesses. Any angel
72 investor that intends to provide a cash investment to a business on
73 such list may apply to the Commissioner of Revenue Services to
74 reserve a tax credit in the amount indicated by such investor. The
75 aggregate amount of all tax credits which may be reserved by the
76 Commissioner of Revenue Services shall not exceed twenty million
77 dollars in any one fiscal year.

78 (e) The amount of such credit allowed to any investor pursuant to

79 this section shall not exceed the amount of tax due from such investor
80 under chapter 229 of the general statutes with respect to such taxable
81 year. Any tax credit not used in the taxable year during which the cash
82 investment was made may be carried forward for the five immediately
83 succeeding taxable years until the full credit has been allowed."